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# Medium-term programme framework, 2016-2019

## Proposal by the Director General

This document is presented in accordance with General Conference decision GC.15/Dec.17, which requests the Director General to submit from 2015 onwards, on a quadrennial basis, to the Board in the second year of the biennium, through the Programme and Budget Committee, a draft medium-term programme framework (MTPF) for four years, taking into account the Lima Declaration: Towards inclusive and sustainable industrial development (GC.15/Res.1), the quadrennial comprehensive policy review (QCPR) of operational activities for development of the United Nations system (General Assembly resolution 67/226 of 21 December 2012), and the recommendations of the outcome document of the informal working group on the future, including programmes and resources, of UNIDO, entitled Strategic Guidance Document (IDB.41/24).

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## List of abbreviations and acronyms

| | |
|---|---|
| CDM | clean development mechanism |
| CIP | competitive industrial performance |
| CP | cleaner production |
| CSR | corporate social responsibility |
| ECP | Entrepreneurship Curriculum Programme |
| ERP | enterprise resource planning |
| FDI | foreign direct investment |
| GDP | gross domestic product |
| GEF | Global Environment Facility |
| GIS | geographic information system |
| HCFC | hydrochlorofluorocarbon |
| IEAG | Independent Expert Advisory Group on a Data Revolution for Sustainable Development |
| ICT | information and communications technology |
| IDR | Industrial Development Report |
| IRPF | integrated results and performance framework |
| ISID | inclusive and sustainable industrial development |
| KPI | key performance indicator |
| LAC | Latin America and the Caribbean |
| LDC | least developed country |
| LLDC | landlocked developing country |
| MDG | Millennium Development Goal |
| MIC | middle-income country |
| MTPF | medium-term programme framework |
| MVA | manufacturing value added |
| ODA | official development assistance |
| ODS | ozone depleting substance |
| OECD-DAC | Development Assistance Committee of the Organization for Economic Cooperation and Development |
| OWG | Open Working Group on Sustainable Development Goals |
| PCP | Programme for Country Partnerships |
| POP | persistent organic pollutant |
| QCPR | quadrennial comprehensive policy review of operational activities |
| RBM | results-based management |
| RCM | Regional Coordination Mechanism |
| SDG | Sustainable Development Goals |
| SIDS | small islands developing states |
| SME | small and medium enterprise |
| SPS | sanitary and phyto-sanitary |
| TBT | technical barriers to trade |
| UNCT | United Nations Country Team |
| UNDAF | United Nations Development Assistance Framework |
| UNEP | United Nations Environment Programme |
| UNIDO | United Nations Industrial Development Organization |
| UNRC | United Nations Resident Coordinator |
| USSICC | UNIDO South-South Industrial Cooperation Centre |

## Content and main features

1. The MTPF for 2016-2019 reflects the broad programmatic objectives and priorities of UNIDO that are given by its renewed mandate of inclusive and sustainable industrial development (ISID), enshrined in the Lima Declaration. Following the adoption of this mandate by Member States, considerable efforts have been undertaken to ensure its effective implementation, reinforced by a systematic review of the structure, substance and delivery mechanisms of the Organization's functions and services. This process, which started with the decision to extend the MTPF 2010-2013 until the end of 2015, has provided both the Secretariat and Member States with an opportunity to assess the significant changes that have been taking place in the global development landscape and align UNIDO's priority areas and service delivery to these changes.

2. With a view to supporting the Organization's efforts toward enhancing the cost effective deployment of its resources and the relevance of its cooperation activities, Member States presented valuable strategic guidelines contained in the "Strategic Guidance Document". It specifically provided for UNIDO to further focus its programmatic activities based on core management principles and on producing practical and high-impact deliverables in areas where it has a comparative advantage.

3. In addition to the clear guidance received from Member States through the aforementioned documents, UNIDO's programmatic objectives and priorities also continue to be determined by broader decisions being discussed by the international community with regard to development issues. The most important of these are given by the post-2015 development agenda and related Sustainable Development Goals (SDGs), to be derived from the Special Summit on Sustainable Development in September 2015. Others will be given by such initiatives as the Third International Conference on Financing for Development held in Addis Ababa in July 2015, the twenty-first session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change to be held in Paris in December 2015, as well as United Nations system-wide coherence mechanisms, including the quadrennial comprehensive policy review of operational activities of the United Nations (QCPR), and relevant inter-agency coordination frameworks at country level. Special attention was also given to the outcome document of the third International Conference on Small Island Developing States (SIDS) "SIDS Accelerated Modalities of Action (Samoa Pathway)", and the Vienna Programme of Action for Landlocked Developing Countries (LLDCs) for the Decade 2014-2024.

4. In preparing the MTPF for 2016-2019, due consideration was also given to the independent strategic evaluation of the implementation of the expanded UNIDO medium-term programme framework 2010-2013 conducted by the Office for Independent Evaluation of UNIDO, and the recommendations contained in the evaluation report issued in March 2015.[1]

[1] Available from www.unido.org/fileadmin/user_media_upgrade/Resources/Evaluation/Strategic_UNIDO_MTPF_Evaluation_final.pdf.

5. Against this background, the format of the MTPF presents three programmatic fields of activity for UNIDO, which also serve as the foundation of the Organization's mandate of inclusive and sustainable industrial development (ISID) in its three dimensions, namely (i) creating shared prosperity, (ii) advancing economic competitiveness, and (iii) safeguarding the environment. These programmatic fields therefore represent the basis for UNIDO's programmatic architecture, and for planning and managing UNIDO's programmes and activities for the 2016-2019 period. The Organization's programmatic activities will be designed and launched within this framework, in the context of the biennial programme and budgets to be formulated and approved during this period, in response to changes in the Organization's operating environment and the development requirements of Member States.

6. The main innovative features of the MTPF 2016-2019 include:

(a) Introduction of a new partnership approach to promoting ISID, based on Programme for Country Partnerships (PCPs). This innovative strategy seeks to enhance synergies among relevant development partners, while maximizing the development impact of UNIDO's interventions;

(b) Inclusion of a budgetary framework that indicates expected budgetary requirements for the implementation of the MTPF, as recommended by the *Independent Strategic Evaluation, Implementation of the expanded UNIDO MTPF 2010-2013*, conducted by the UNIDO Office for Independent Evaluation in 2014;

(c) Enhancement of the results-based management (RBM) approach, as requested in the "Strategic Guidance Document", including the introduction of an integrated results and performance framework (IRPF) consisting of a limited number of corporate indicators, which will be underpinned by improved monitoring and reporting systems and tools;

7. A key element in UNIDO's implementation strategy for the MTPF 2016-2019 is the increased emphasis placed on strengthening strategic partnerships with a variety of development actors, including governments, development finance institutions, the private sector, United Nations entities, academia and civil society; aimed at leveraging the financial and technological resources of relevant stakeholders towards building a solid implementing apparatus for ISID at national, regional and global levels. This approach will remain at the core of UNIDO's service provision in the coming years and will constitute a growing proportion of its activities.

8. Overall, through the MTPF 2016-2019 UNIDO seeks to respond effectively to the new ambition and purpose that the Member States and the global community have set for the Organization and the United Nations system as a whole in the post-2015 era. In addition to providing a comprehensive and coherent programmatic context for UNIDO's services in the four years of its proposed duration, the MTPF also contains a newly devised IRPF. This is based on an integrated two-tiered results structure that considers (i) global, regional and country-based ISID achievements and progress on the one hand, and (ii) UNIDO's organizational management performance on the other. Reporting on these corporate results will be done on a regular basis in the enterprise resource planning (ERP) system. This will not only allow UNIDO to provide better and timely results reports to Member States but it will also allow for a more holistic reporting on the global state of ISID, which is

foreseen during the planning period on a regular basis. Overall, the new IRPF is designed to make UNIDO an even more results-oriented, transparent, efficient, and trusted partner in the post-2015 era.

## A. Situation and trend analysis

### A.1 Introduction

9. The United Nations General Assembly, in resolution 69/235 of 16 January 2015, emphasized the essential role of inclusive and sustainable industrial development as part of a comprehensive strategy of structural economic transformation in eradicating poverty and supporting sustained economic growth, and thus in contributing to achieving sustainable development. This resolution also encouraged United Nations Member States to give appropriate consideration to the issue of industrial development in the elaboration of the post-2015 development agenda as the target date for the Millennium Development Goals (MDGs) approached. In this connection, the General Assembly's Open Working Group (OWG) on SDGs proposed goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" as an integral component of the global development agenda beyond 2015. The achievement of all the SDGs, and in particular SDG 9, will be the overarching objective of UNIDO during the implementation period of this MTPF.

### A.2 Trends in industrial development

10. The global manufacturing landscape has changed dramatically over recent years, with the financial crisis being a major trigger of this transformation. World manufacturing has entered a new phase of steady growth from a prolonged period of recession that caused a sharp decline in production in industrialized countries and a significant slowdown in developing and emerging industrial economies. However, manufacturing increased by 7.3 per cent in the fourth quarter of 2014 compared to the previous year.

11. Growth is also becoming more sustained in industrialized economies. Consumer confidence seems to be returning, increasing the demand for manufactured goods such as food, clothing, automobiles and consumer electronics. Investment in infrastructure, which drives basic industries, is also picking up. Low interest rates and an accommodating monetary policy across the developed world seem to be finally beginning to yield results.

12. Manufacturing in developing and emerging industrial economies has also undergone important structural changes in recent years which are beneficial in the long term. Apart from traditional processing industries, these economies have maintained high growth in the production of chemical goods, machinery and equipment, electric and electronic appliances and motor vehicles both for domestic markets and export. This trend has significantly improved the industrial performance of developing countries in terms of productivity and competitiveness.

13. The positive relationship linking manufacturing value added (MVA) per capita and gross domestic product (GDP) in developing countries continues to attest to the importance of industrial transformation as the main engine of economic growth.

Developing and emerging industrial countries now account for 35 per cent of world MVA, the highest observed share to date. In the Asia-Pacific region in particular, manufacturing remains a major source of overall economic growth. However, the growth trend for developing and emerging industrial economies masks acute disparities between the various developing regions and countries.

14. Discussions on inclusive and sustainable industrialization have gained prominent traction as historical experiences and empirical evidence show that this development path can support countries in their efforts to "catch-up" with industrialized countries, and can thus lead to a gradual convergence among nations. Consequently, the call for building productive capacity is strongly pronounced among all developing countries, regardless of their specific development levels, including least developed countries (LDCs), landlocked developing countries (LLDCs), small island developing states (SIDS) and middle-income countries (MICs).

15. Over the implementation period of the MTPF, it is expected that these trends towards a gradual convergence between countries will continue, with the manufacturing sector and its related service industries remaining the driving force. It is also expected that global and local industrial investments and activities will remain a major element of financing for development, including through technology-related activities and cooperation. As efforts to combat climate change and other environmental risks will remain major fields of international cooperation over the MTPF period, it is expected that industrial solutions and technologies to risk mitigation and adaptation activities will remain an important pillar for the implementation of multilateral environmental agreements. Demand for such industrial goods and services is thus expected to surge over the period. It is further expected that the implementation of the SDGs will provide a renewed momentum for addressing inequality, both within and among countries, through industrial cooperation and development. This will further speed up industrial globalization, including for industry-related services.

### A.3 Global challenges and the post-2015 development agenda

16. Over the past few years, the international community has made a quantum leap in advancing new approaches to accelerate progress and pave the way for a more ambitious, inclusive and universal development framework beyond 2015. Within this context, inclusive and sustainable industrial development has been recognized as a core driver of such a development agenda to eradicate poverty and advance sustainable development through a holistic approach that integrates economic growth, social inclusion and environmental sustainability considerations.

17. While industrialization was not factored into the MDG framework, the issue of inclusive and sustainable industrialization now features strongly in the intergovernmental negotiations on the post-2015 development agenda, most prominently reflected in SDG 9 of the final set of SDGs proposed by the OWG. This particularly serves to confirm the mandate given to UNIDO through the Lima Declaration, and to anchor UNIDO's role in the implementation of the new global development agenda.

18. During the MTPF period, UNIDO will focus its programmes and activities on assisting Member States to meet this particular goal, along with all related SDGs

and related targets supported by its mandate of ISID. In particular, UNIDO will concentrate on ensuring that the benefits of industrial development can be made more inclusive, in terms of a more equitable distribution across groups, countries and regions. In addition, another major challenge will be to address issues such as access to clean energy, resource efficiency and the adoption of production processes that minimize negative impacts on the environment.

### A.3.1 Poverty eradication and inequality

19. Eradication of poverty will remain the most important development goal over the next 15 years. This is widely recognized in the post-2015 development framework through SDG1, which provides time-bound and quantified targets for addressing extreme poverty in all its forms in the context of sustainable development.

20. Despite notable progress in some countries, poverty still remains the biggest global challenge. While the proportion of the poor in LDCs, and in particular in LLDCs and SIDS, remains the relatively highest, it is noteworthy that most of the approximately 693 million people worldwide who live on less than US$ 1.25 a day are to be found in MICs. Lifting these people out of poverty can only be achieved through dynamic industries that provide employment opportunities, in particular for women and youth, not only generating income but also leading to improvements in skills, working conditions and wages.

21. Virtually all cases of high, rapid, and sustained economic growth in modern economic development have been associated with industrialization, and in particular with growth in manufacturing production. Yet, steady prosperity has not been achieved throughout the world and there remain remarkable differences between and within regions, countries and societies. Lack of jobs and jobs that pay too little are the biggest drivers of inequality. Therefore, development efforts need to focus on achieving more inclusive patterns of industrial development.

22. To this end, inclusive growth strategies are needed to remove policy-related and regulatory obstacles that impede local entrepreneurial initiatives, to strengthen entrepreneurial capabilities and provide access to finance, technical know-how and market information. Growth strategies directed towards poverty reduction should therefore aim to support the development of small and medium enterprises (SMEs) into dynamic, innovative and growth-oriented enterprises capable of competing in national and international markets. Such strategies help create the necessary conditions for sustaining economic growth by unleashing the underutilized assets of the economy and enhancing their potential for productivity increases. The goal must be to help poor societies move out of poverty and create shared prosperity, while laying the foundation for the development of a modern and industrialized economy.

### A.3.2 Uneven impacts of globalization

23. Globalization remains the dominant feature of the world economy and is bound to retain this pre-eminence in future years. Although global trade has increased significantly over the past decades, experience shows that globalization and the associated liberalization of investment and trade regimes on their own do not ensure that much of the developing world benefits from global markets and achieves rapid economic growth.

24. While it is true that no nation has developed and grown without the benefits of trade, it is also true that many factors determine how and when trade can have these beneficial effects. For least developed and landlocked countries, for example, trade contributes to livelihoods by bringing in consumption goods as well as capital goods to ensure that better use is made of local resources. For other developing countries with higher incomes and more robust economies, trade is a source of rapid growth through the encouragement of productive activities and the expansion and diversification of sources of employment.

25. Developing countries will usually need to create a range of other conditions before they can benefit from a globalized market. Even the best conceivable trade policies aimed at reaping the benefits from trade are likely to be ineffective if they are not accompanied by supporting infrastructure, both physical, such as transport and communications; and institutional, such as bodies to implement international trade rules or to offer technical and financial services. Progress is therefore required, not only on the basis of access to international markets but also on value-addition, diversification of production away from a heavy reliance on commodities, and on capacity-building to meet the technological and business requirements of participation in global supply chains. Trade capacity-building as a means of developing productive capacities has thus moved to the centre of the development discourse, and will remain a major means of implementation of the post-2015 development agenda.

26. In addition, "corporate sustainability" in all three dimensions of sustainability — economic, social and environmental — has further gained importance in the development debate and the private sector now actively participates in related global and local activities to spur the achievement of development goals. Sustainability is being viewed as a source of innovation and new growth, a trend that is likely to increase over the coming years. Nevertheless, market imperfections and regulatory failures will remain and will require a clear global governance structure; the recognition of the rule of law and fundamental rights and duties; and appropriate incentives and modalities for greater business engagement in development, including through public-private partnerships and sustainability platforms and networks.

### A.3.3 Environmental degradation and climate change

27. Environmental concerns will remain a major field of international cooperation in the post-2015 era. At the same time, as many of the industrial development and growth strategies adopted in the past encouraged a rapid accumulation of physical and financial capital, although generating excessive depletion and degradation of natural capital, including the endowment of natural resources and ecosystems, an increase in cleaner industrial technologies and production methodologies will become a major focus for the implementation of the SDGs and other multilateral environment-related agreements.

28. The need to address social problems such as poverty, inadequate levels of job creation and distributional inequalities, whilst promoting environmental sustainability, raises the challenge of decoupling natural resource use and environmental impacts from economic growth. A green transformation of economies at the national level will be required, involving the introduction of more efficient technologies, and a shift to less resource-intensive patterns of manufacturing. In the

process, jobs may be created, substituted, eliminated or transformed, but governments need to prepare for these trends by ensuring that appropriate educational and training programmes are in place. To this end, industry, which is necessary to drive the required structural transformation of our economies, needs to adopt the appropriate technological solutions to mitigate climate change.

29. The shift to sustainable development policies and practices has proceeded slowly so far. There are still a number of barriers to the deployment and diffusion of environmentally sound technologies and expertise, including a lack of awareness, the absence of appropriate policies and regulatory frameworks, and insufficient investment in the infrastructure needed for new technologies, especially in relation to clean and renewable sources of energy. The key is to forge an effective international mechanism for the development and dissemination of technologies, aiming to remove barriers and providing predictable financial resources and other incentives for scaling up investment in environmentally sound technologies around the world, especially in developing countries. It is here that the multilateral system has a central role to play in bringing countries together and building consensus on mandatory norms and standards to which all countries and industries can adhere for the common good. Within the scope of its own mandate, UNIDO makes a critical contribution in this effort.

### A.4 The evolving development finance architecture

30. The current international development architecture and the development financing system associated with it have evolved dramatically over the past 10 years, and it is expected that this rapid change will continue over the MTPF implementation period, based on the anticipated outcome of the Third International Conference on Financing for Development.

31. External resources transferred to developing countries in the form of either development assistance or private capital flows more than doubled from 2000 to 2012. Official development assistance (ODA) is provided by more than 80 bilateral, multilateral and international agencies. At the same time, innovative finance instruments and non-traditional development cooperation providers have increased their share significantly, challenging the relevance of ODA for international development assistance. Private capital inflows, comprising primarily direct foreign and portfolio investments, have expanded greatly, although they tend to be concentrated in a few emerging and middle-income countries and focus on specific sectors. Moreover, there have been impressive increases in other private capital flows such as remittances, grants from private foundations, and donations from nongovernmental organizations and individuals.

32. The past decades have also seen a growing contribution by new development partners in the form of additional resources, innovation, and learning. This very diverse group refers to official providers of development assistance outside the traditional OECD-Development Assistance Committee (DAC) membership, ranging from high-income countries and upper middle-income countries, to lower middle-income countries. Notably, many non-DAC countries have increased the scope and size of their engagement in development finance. Beyond financial resources, they also bring to the table their own development know-how and experiences, in particular within the framework of South-South cooperation. This represents a paradigm shift in the global financing architecture where the flow of

knowledge and capital is no longer dominated by North-South exchanges. Moreover, this group of emerging development actors contributes with complementary investments in crucial sectors where significant funding gaps in poor countries persist, such as infrastructure.

33. Private investments and trade remain by far the biggest source of finance for long-term industrial development and economic growth. Development assistance was at a record high of US$ 135 billion in 2014, but foreign direct investments (FDI) to developing countries were almost five times greater. In addition to the mobilization of external resources through FDI, domestic resource mobilization, both public and private, has been identified as one of the most important sources of financing for development, and it is expected that more attention will be placed on growing a country's tax base for allowing sustained financing of its development, especially through the promotion of long-term industrial investment, both national and international.

34. The implementation of the SDGs will thus require smart policies that channel scarce national resources towards investments that are in line with the nationally devised path towards sustainable development and ISID. In this context, ODA will remain a key catalyst, as it can help alleviate some of the risks associated with investments in developing countries and mobilize more and better foreign and domestic investments for inclusive and sustainable industrial development. These ODA flows will be particularly important to catalyse private capital flows to developing countries, and especially to the LDCs. In contrast with the MICs, net private capital flows to low income countries only amounted to US$ 16 billion in 2010 compared to around US$130 billion in net ODA from traditional DAC donors. Hence, a key challenge going forward will be to sustain ODA levels and maximize its development impact.

35. The changing cooperation architecture will have diverse implications. Recent major shifts in the international development finance landscape have created new opportunities and options for developing countries to access external finance for their development priorities. However, they have also created new challenges and risks for managing such capital flows. In order to tap the opportunities generated by a more diversified aid architecture, coordinated and collaborative efforts among relevant stakeholders are imperative. This will require a more systematic dialogue in a renewed global partnership for development, in which the multilateral development system must play a key catalytic role.

### A.5 Partnerships for development

36. Creating an enabling environment for multi-stakeholder partnerships is central for any successful large-scale development strategy. Development challenges are solved by countries, companies and civil society coming together in coalitions for action. Building vibrant and systematic partnerships remains a vital prerequisite for the effective implementation of a transformative agenda to accelerate poverty reduction and sustainable development in the post-2015 era.

37. The private sector is a strategic partner in this endeavour, with the ability to have a profound impact on virtually all SDGs. Government and business will need to work together to create clear policy frameworks and incentives to ensure that profits are translated into sustained economic growth, social inclusion and

environmental protection. This entails identifying new forms of partnership able to put forward innovative business models that respond to commercial priorities while also delivering on sustainable development. Moreover, a continued multi-stakeholder dialogue is imperative to successfully mobilize the extensive resources necessary for achieving profound development results on the ground. With a view to realizing the SDGs, the international community will need to capitalize on the convergence of interests and capabilities of a wide range of relevant stakeholders facilitated by innovative partnerships and networks that are based on mutual trust, shared values and common development objectives.

### A.6 Gender equality and the empowerment of women

38. Over the MTPF implementation period, the urgent need to harness the economic potential of women will remain a central priority of the international development community, the SDGs, and ISID. It is estimated that by 2020, 870 million women who have been living or contributing at a subsistence level will enter the economic mainstream for the first time as producers, consumers, employees and entrepreneurs. The economic impact is expected to be staggering, with profound effects on global development as a whole.

39. Women are, and will continue to be, powerful drivers of development. Gender equality not only impacts positively on economic growth, but also has important beneficial effects for social cohesion and environmental protection. Despite this, women still struggle to take their rightful place in the economic and political life in many countries.

40. Even though more and more women are starting businesses globally, they still manage fewer businesses than men, and are often forced to engage in businesses that are in less profitable sectors with low growth prospects. These gender gaps impose real costs on society. When women do not participate equally in entrepreneurship, economies lose the benefits that would otherwise be provided by new products and services, additional revenues and new jobs. Economies also lose out due to the long-term negative effects on workforce skills and education that occur when half of the potential pool of labour is not tapped. The clear consequences of women's economic marginalization further underline the pressing need for gender equality and the economic empowerment of women.

### A.7 Measuring the SDGs — the global data revolution

41. Over the implementation period of the MTPF, it is expected that statistical capacities and the ability to grasp the "data revolution" will emerge as new and challenging fields of development that will need to be explored. As much big data originates in the private sector, UNIDO will need to consider how best to position itself to support the improved measurement of global industrial achievement while maintaining necessary safeguards and fundamental rights.

42. In 2012, anticipating the conclusion of the Millennium Development Goals in 2015, the United Nations Secretary-General convened a High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. In addition to proposing five transformative shifts for the post-2015 development agenda, the report of this High-Level Panel, titled A New Global Partnership: Eradicate poverty and transform economies through sustainable development, called for a "data revolution for

sustainable development" to improve the quality of statistics and information available to citizens that can actively take advantage of new technology, crowd sourcing, and improved connectivity to empower people with information on the progress towards the targets.

43. The report notes that the growth in the capabilities of information technology provides an opportunity to strengthen the use of data and statistics as evidence for decision-making as well as for accountability purposes. The report stresses the need for data to reach those most in need, and that better data and statistics support efforts to track progress on development initiatives, concluding that a true data revolution would draw on existing and new sources of data to fully integrate statistics into decision-making, promote open access to, and use of, data and ensure increased support for statistical systems.

44. To further elaborate the concept of a "data revolution", the Secretary-General convened an Independent Expert Advisory Group on a Data Revolution for Sustainable Development (IEAG). The resulting report, A World that Counts: Mobilising the Data Revolution for Sustainable Development, explores the key opportunities and risks associated with a data revolution for sustainable development and presents recommendations for action, which aim to exploit these opportunities and mitigate the risks. The IEAG report identifies two qualities that define the data revolution for sustainable development, namely the integration of new data with traditional data and an increase of the usefulness of data.

45. The measurement of SDG 9 will require more support to statistical institutions in developing countries to improve their capabilities to collect industrial statistics. Against this background, the strengthening of such capacities forms the foundation of the country-level development indicators in the UNIDO's new integrated results and performance framework (IRPF) that will be discussed in the section C.

## B. Thematic programme framework

### B.1 Introduction

46. The thematic programme framework provides for a complete alignment of UNIDO's services with the ISID mandate and the three dimensions of sustainable development, which form the basis of the overarching development agenda of the United Nations system beyond 2015 — i.e. economic growth, social equity and environmental sustainability. It links the outputs of UNIDO's various programmes components, which are implemented in the form of a wide range of individual projects at the country, regional and global level, with the corresponding outcomes at the policy and institutional levels, and impacts at the overall thematic levels.

47. The thematic programme framework thus consolidates the expected results from UNIDO's contributions towards the achievement of ISID, as mandated in the Lima Declaration, and the internationally agreed development goals, including the post-2015 development agenda and related SDGs, which derive from its various activities. This alignment will bring about greater coherence in the programmatic delivery of results, thus improving UNIDO's ability to manage for results. Progress made under the thematic programme framework, and the effectiveness of UNIDO's

programmatic portfolio management is measured and reported through the IRPF indicators of levels 1, 2 and 3 (as described in Section C).

### B.2 Thematic priorities and expected impact

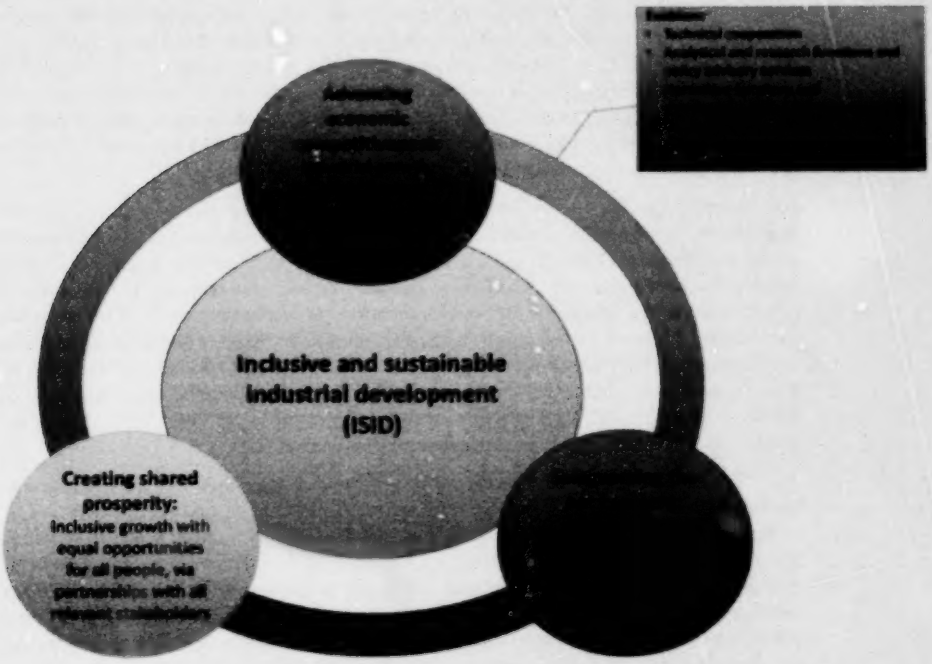
48. In line with the renewed mandates given to both UNIDO and the United Nations development system, the Organization's programmatic focus is accordingly structured in three thematic priorities, each of which represents different aspects of ISID: (i) creating shared prosperity, (ii) advancing economic competitiveness, and (iii) safeguarding the environment.

49. Each of these programmatic fields of activity contains a number of individual programmes, which will be implemented in a holistic manner to achieve effective outcomes and impacts through UNIDO's four enabling functions: (i) technical cooperation; (ii) analytical and research functions and policy advisory services; (iii) normative functions and standards and quality-related activities; and (iv) convening and partnerships for knowledge transfer, networking and industrial cooperation.

50. The programmatic focus of UNIDO is designed to have a catalytic and transformative effect towards ISID in programme countries. Although specific programmes and activities may address one or more of the three dimensions to varying degrees, highlighting the complexity of the development process, taken together they are intended to provide a comprehensive and coherent set of services to address all three dimensions of sustainable development. These services will increasingly be combined, both among themselves and with complementary services provided by other development partners, particularly in the context of the innovative Programme for Country Partnerships (PCP) approach being developed by UNIDO, in order to scale up the developmental outcomes and impacts of all UNIDO interventions.

51. In response to the challenges outlined in Section A. above, and in line with the UNIDO's renewed policy on gender equality and the empowerment of women, a gender focus will be applied to all programmatic and managerial aspects of the MTPF 2016-2019.

*Graphical representation of UNIDO programmatic focus for 2016-2019*


Inclusive and sustainable industrial development (ISID)
Creating shared prosperity:
Inclusive growth with equal opportunities for all people, via

52. Through the services provided under each of these thematic priority areas, UNIDO expects to achieve the following impacts:

(a) *Creating shared prosperity*: Advancing poverty eradication and inclusiveness, building productive capacities in an inclusive manner, and providing more opportunities for all women and men as well as across social groups, also through partnerships with all relevant stakeholders involved in industrialization processes;

(b) *Advancing economic competitiveness*: Advancing rapid economic and industrial growth, building trade capacities in industries, and ensuring that all countries can benefit from international trade and technological progress, also through the application of modern industrial policies and compliance with global standards and norms;

(c) *Safeguarding the environment*: Advancing environmentally sustainable growth, building institutional capacities for greening industries through cleaner production technologies and resource efficiency methodologies, and creating green industries, including in fields of waste management and recycling.

### B.2.1 Creating shared prosperity

53. In the face of a rapidly changing global economic landscape and increasing inequalities, a strategy for sustained growth must ensure a form of industrialization that makes opportunities accessible to all people and broadly distributes income and non-income gains from growing national prosperity across society. The inability of developed and developing countries to fully integrate social considerations into targeted industrial and economic policies undermines the developmental potential of industry, thus broadening income inequality gaps and weakening social cohesion within and between countries and regions.

54. Increasing the economic empowerment of marginalized parts of the population, in particular women and youth, can make a significant contribution to poverty reduction. This is particularly true in the case of the agriculture-based economies in sub-Saharan Africa and the LDCs, and in particular in LLDCs and SIDS, where the majority of the population is often engaged in subsistence agriculture. As most of the youth in these countries grow up without being exposed to entrepreneurial experiences or learning entrepreneurial skills, the capacity of these countries to create entrepreneurs is also limited. Similarly, the low levels of female education and female participation in productive activities also inhibit the growth of entrepreneurship in many developing countries.

55. While there has been a broad decline in poverty worldwide, both extreme and moderate poverty remain primarily rural, with 75 per cent of the world's poor living in rural areas where productivity is low, local economic activity is inadequately diversified, underemployment rates are high and jobs are insecure. Rural poverty has usually been reduced in contexts of rapid economic growth. However, it has persisted where policies failed to improve agro-industrial productivity and rural infrastructure as well as to provide rural populations with access to social services or facilitate the development of rural business linkages. Poverty cannot be eradicated without addressing the pervasive inequalities in incomes and economic opportunities between and within populations and regions. These inequalities need to be tackled through more inclusive rural development processes focused on building more productive, diversified and resilient local rural economies with stronger rural-urban economic linkages, increased access to infrastructure and modern energy, and through the accelerated adoption of sustainable production methods. Moreover, the rural poor, and in particular women, need knowledge and skills that enable them to innovate, identify and exploit new economic opportunities and manage risk.

56. Natural crises or conflicts cause social and economic dislocation, which reduces the productive capacity of the economy and the ability of the affected people to generate sustainable livelihoods. One of the cornerstones in preventing crises and creating resilient societies is, inter alia, socio-economic development as a key factor in a country's ability to recover, withstand or avoid internal and external shocks. The promotion of human security by engaging crisis-affected communities in the development and application of custom-tailored solutions for improving living standards and economic opportunities is a vital requirement in these situations.

57. Against this background, UNIDO will continue to concentrate its efforts on the development of agro-industries, women and youth in productive activities, and human security in post-crisis situations.

58. UNIDO's services for the development of agro-industries will continue to focus on adding value to agricultural production by strengthening linkages between agriculture, industry and markets. The activities will encompass the transfer of food processing technology; the upgrading of food processing skills; the promotion of food safety in the processing environment; and interventions to improve competitiveness and productivity at the processing level.

59. UNIDO will also continue with services supporting the transformation of enterprises from the informal sector to the formal sector, with a special focus on simplifying and improving access to administrative company registration services. The programme component will also aim at improving women's participation in entrepreneurial activities, based on the principle of equal opportunities for women and men with equal capabilities and interests. It will also address the entrepreneurial development of women, and the reduction of formal and informal barriers to their entrepreneurial endeavours, including the introduction of gender-neutral business regulatory environments.

60. Based on its experience in post-crisis and human security programmes and projects, UNIDO will continue to respond to complex emergencies through activities that contribute to socio-economic as well as environmental and energy security both at national and local level. It will thus concentrate on a number of key interventions to help strengthening economic resilience and human security, such as restoring and upgrading of local productive capacities; building and strengthening of institutions; providing renewable energy sources for the poor; and strengthening the resilience of the most vulnerable, including youth and women.

### B.2.2 Advancing economic competitiveness

61. Private sector development will remain one of UNIDO's leading instruments for achieving poverty reduction and ISID. This commitment is based on the conviction that the most effective way to achieve these goals is through economic growth, and on the recognition of the role that private sector plays in leading industrial development towards a sustainable growth. Industry is a seedbed for entrepreneurship, business investment, technological progress, the upgrading of skills, and the creation of decent jobs. All these factors contribute to sustained productivity improvements that can ensure pro-poor outcomes and contribute to increased living standards, particularly in developing countries. Moreover, better access to domestic and international markets can make an enormous contribution to developing countries' fight against poverty. By positioning industries at the right stage of global value chains, countries may benefit from opportunities offered by global trade, including more jobs, exports and foreign direct investment. In addition to enhanced resilience, market access can bring the much needed capital and technology essential for growing a strong, inclusive, transformative economy.

62. Investment plays a central role in growth and poverty reduction, by increasing the productive capacity of the economy and generating increased employment. A good investment climate provides incentives for all firms — small, medium and large, as well as micro enterprises — to invest productively, create jobs, expand and

introduce new technologies that can serve to increase the productivity and sustainability of other factors of production. While in developing countries the bulk of private investment is domestic in nature, foreign direct investment (FDI) is an important factor as it brings, apart from major financial resources, improved know-how, modern technology, access to international markets, and a corporate culture of efficiency and competitiveness. Perhaps the greater contribution of FDI is through innovation, transfer of knowledge and technology, and productivity. Its contribution to growth is likely to be higher if the knowledge of better technology it brings can be spread to domestic businesses through business linkages. In this sense FDI can be a driver for the growth of local business and can improve the overall investment climate.

63. Participation in global trade is an important aspect of a developing country's strategic approach to ISID. Trade enables countries to make use of their comparative and competitive advantages by placing their resources into those productive activities that provide the highest economic and social returns. Access to markets can lead to more jobs, higher incomes, and greater economic security. In addition to enhanced resilience, market access can bring the much needed capital and technology essential for growing a strong, inclusive, transformative economy. Competitive, safe, reliable and cost-effective goods and services are a key prerequisite for enhancing an industry's competitiveness and export market share in tradable goods and services. Industries therefore have a continuous need for market information, know-how, restructuring and upgrading. This is usually supported by investment and technology inflows for process upgrading, as well as by productivity and quality management improvement.

64. Many people in many developing countries, in particular LDCs, live in an agrarian, often subsistence economy. Many young people grow up without opportunities to learn entrepreneurial and industrial attitudes and skills. Poverty with persistent unemployment and underemployment is the result. Entrepreneurship is therefore an inclusive process that enables the bottom billion, women and men, in rural as well as urban areas, to climb up the wealth ladder. Entrepreneurship also transforms economies and enhances industrial development, inclusively and sustainably, from individual and grass-root levels. Moreover, a greater availability of entrepreneurs helps to diversify the economy with an efficient, competent and sustainable private sector that, in the long run, results in a more resilient industrial structure of the economy.

65. Against this background, UNIDO will continue its support programmes towards investment and technology promotion, SME development, trade capacity-building, and entrepreneurship development.

66. Services provided in this programmatic field will include advisory services to improve the business and policy environment for the private sector, assisting the domestic private sector in the creation of productive capacities. Programmes will support investment and technology opportunities to help enterprises, especially SMEs, improve productivity and innovation, and achieve systemic competitive advantages. Building on a robust global network aimed at fostering investment, technology and other partnership opportunities, UNIDO will seek to enable SMEs to capitalize on the dynamism and flexibility derived from their size by strengthening the synergy among enterprises and with support institutions. UNIDO's inputs will focus on increasing business opportunities for small-scale enterprises through the

establishment of business linkages among SMEs and with larger enterprises to increase the SMEs' participation in global value chains and their contribution to poverty alleviation.

67. In the context of trade capacity-building programmes, UNIDO will continue to strengthen international trade norms and standards by assisting developing countries and transition economies to upgrade production and processing systems to enhance the quality of local products, in particular through the adoption of improved technologies, and help them conform to the standards required by international markets. UNIDO will build capacities in both public and private institutions to formulate trade policies and strategies based on economic and statistical analysis, as well as benchmarking competitive performance at sectoral and product levels and supporting the establishment of trade-related databases such as inventories of technical barriers to trade (TBT), which are designed to expand exports from the industrial sector. In the field of strengthening the standards, metrology, testing and conformity assessment infrastructure of its beneficiary countries, UNIDO will support standards institutions as well as TBT and sanitary and phyto-sanitary (SPS) measures enquiry points through various regional programmes and country projects. UNIDO will also support developing economies in addressing the increasingly important issue of private standards, with emphasis on the clarification of corporate social responsibility (CSR) standards, as a means towards increasing their competitiveness during the MTPF period.

68. Support to the development of entrepreneurial culture and skills will also continue during the MTPF period through the Entrepreneurship Curriculum Programme (ECP) and by improving the performance of public services for businesses to create an environment where entrepreneurial actions are rewarded. Using a bottom-up growth strategy for poverty reduction, ECP will continue to introduce practical entrepreneurship curricula at secondary and vocational training institutions, particularly targeting the development of entrepreneurial skills among young people, both girls and boys, before they enter into their career life. It is expected that this will enable the youth to acquire entrepreneurial characteristics and positive attitudes towards taking up business opportunities and self-employment. This will be enriched through elements of ICT training, combining the basics of entrepreneurship with practical experiences in the use of new technology and thus preparing young people for key job requirements and an increasingly networked information society facing any young entrepreneur.

### B.2.3 Safeguarding the environment

69. Pollution, climate change, habitat destruction and over-exploitation of natural resources such as fresh water and fisheries are doing great harm to human health, wellbeing and livelihoods, especially among poorer regions, and undermining the prospects for a long-term resilient and robust economy. One of the prerequisites for industry to flourish in a sustainable manner is guaranteeing an assured supply of affordable and clean energy, together with improved resource efficiency.

70. The risks of climate change are well documented and its impacts are already affecting people and ecosystems. Meeting the climate challenge requires industries and institutions — both public and private — to be able to assess and understand climate change, design and implement adequate policies and to take action on the transition to resource efficient societies and low emission growth. "Decoupling"

natural resource use and environmental impacts from economic growth is a key requirement for overcoming the pressing challenge of growing resource consumption levels.

71. UNIDO has long recognized that environmental issues must be addressed and cleaner production methodologies must be promoted at a systemic level in industrial development. The promotion of resource efficiency requires a perspective and a decision-making process that simultaneously considers both economic value and environmental sustainability. Improved resource efficiency also applies to energy where it reduces greenhouse gas emissions from energy generation and use, materials extraction and processing, transportation and waste disposal. Sustainable industrial energy strategies that include the adoption of renewable energy sources as well as energy efficiency are thus crucial for addressing climate change by moving economies onto a lower carbon path.

72. Against this background, UNIDO will continue its programmes supporting countries in their environmental management efforts, including the implementation of multilateral environmental agreements and the provision of sustainable energy.

73. Programmes in this field will deepen their efforts towards creating new green industries, establishing national road maps for greening the supply chain, determining benchmarks and indicators, propagating best practices, running clean technology programmes, undertaking various capacity-building exercises and contributing to international forums with the necessary research and expertise. During the MTPF period, this programme component will in particular develop and implement a variety of cleaner production (CP) projects and programmes, focusing on productivity improvement and the sustainable use of materials, water and energy resources at enterprise and sectoral levels. The services to be provided will include capacity-building, direct technical support to enterprises and assistance to government institutions on CP policy matters, as well as the promotion, adaptation and transfer of environmentally sound technologies and the implementation of advanced CP business models, such as chemical leasing. This will be accompanied by a wider application of eco-design methodologies to planned production lines and products. In the field of water management UNIDO will continue to focus on the sustainable use of water resources. These include capacity-building for the industrial sector to improve water productivity, reuse and recycling, as well as the introduction at all levels of government policies and training in the adoption of the ecosystem approach and the sustainable use of its living resources. At the same time, UNIDO will strengthen its multi-sector programmes promoting the environmentally sound management of e-waste and life cycle approaches in developing countries.

74. UNIDO will also stress the need to improve industrial energy efficiency by contributing to the transformation of markets for energy-efficient products and services. To this end, the use of new energy management standards, accelerated investments by industries in energy system optimization measures, and the increased deployment of new energy-efficient industrial technologies through technical, financial and policy advisory services will be strongly promoted. In addition, programmes will address the concerns, challenges and opportunities related to energy poverty, energy security and climate change in the context of ISID. They will therefore promote sustainable energy solutions for making industries more productive and climate resilient, which in turn promote green jobs and green

growth, including the deployment of industrial energy efficiency standards, smart grids based on renewable energy and renewable energy for industrial applications as well as the promotion of climate resilient industries.

75. An urgent need also remains to phase out the production and consumption of ozone depleting substances (ODSs), which lead to the continuing degradation of human health and the natural environment. The Vienna Convention and the Montreal Protocol provide a response to that need. Programmes will therefore assist governments of developing countries that are signatories to the Montreal Protocol to comply with its requirements through transferring non-ODS-based technologies to Article 5 countries and supporting them to meet the set targets in terms of tonnages of ODS to be eliminated. The climate change elements of these activities aim at supporting both the mitigation (reducing emissions at source) and adaptation (adapting to unavoidable levels of climate change) approaches. Support services for the former will include the development of viable projects for greenhouse gas emission reductions in developing countries and economies in transition, providing sustainable development benefits at the national level in addition to contributing to global environmental efforts to mitigate climate change. Support services for the latter include assistance with the development of relevant programmes and projects, focusing on the adaptation priorities of the industrial sector in developing countries.

76. There is a commitment on the part of governments that are parties to the Stockholm Convention on Persistent Organic Pollutants (POPs) to implement legal, organizational and environmental management measures, including substantive technological changes, in order to comply with the requirements of the Convention. The production and use of POPs as well as their presence in the biosphere are causing serious damage to human health and the environment. UNIDO will therefore also assist countries in reaching compliance with the Stockholm Convention and aims at developing capacities in developing countries to protect their populations and their environmental resources from POPs-related pollution.

77. UNIDO will also continue its efforts in supporting countries in addressing the commitments under the Minamata Convention on Mercury.

### B.3 Industrial policy advice, research and statistics

78. UNIDO will also implement a selected number of cross-cutting programmes during the course of the MTPF. Of paramount importance in this context are industrial policy advice, research and statistics. With a view to further enhancing its role within the United Nations system in assisting governments in formulating, implementing and monitoring industrial policies, UNIDO will continue to develop a comprehensive and holistic intervention package aimed at providing strategic industrial policy support to low and middle-income countries based on structural change analysis, as well as a suitable toolbox of policy instruments with a particular focus on poverty reduction, economic competitiveness and environmental sustainability.

79. UNIDO's contribution to understanding industrial development will be applied and grounded in solid empirical data. In order to further strengthen its capacity in the field of evidence-based policy advice to Member States, the Organization will embark upon the review and, when needed, refinement of its country benchmarking tools. Special attention will be devoted to sharpening the focus and increase the

analytical depth of the competitive industrial performance (CIP) index. To provide access to the above information to the largest number of Member States, particular attention will be devoted to the regular production of regional outlooks based on the trends and challenges identified through the key industrial statistics compiled and distributed by UNIDO. Moreover, quarterly indicators of manufacturing output will be issued by the Organization to allow a timely fine-tuning of industrial policies by Member States. UNIDO will also strengthen its communication strategy to disseminate key research results to a broader audience by regularly issuing policy briefs on key topics in industrial development and structural change.

80. In terms of publications, the Industrial Development Report (IDR) will continue to be the periodical flagship publication of UNIDO. While in recent years the document has emphasized a single theme, it is envisaged that in the coming years the IDR will be more "message-oriented" and convey a clear statement that the Organization considers topical and significant at the time of publication. The IDR will be complemented with working papers and topical papers.

81. UNIDO will also invest in extending its partnerships and research collaborations as well as the frequency and coverage of joint regional conferences/workshops on industrial development under the framework of the UNIDO Capacity-building Institute. Research and training collaborations will constitute the main mechanism to extend the outreach of UNIDO research and capacity-building and will be gradually extended to reputed academic and policy institutions in the developed and developing world.

### B.4 Partnerships mobilization and South-South cooperation

82. During the MTPF period, UNIDO will continue to give high attention to forging strategic partnerships with other organizations and institutions in the public and private sectors as a means of supporting the implementation of ISID in member countries, as explicitly recommended in the Lima Declaration. The rationale for an integrated partnership approach is to raise the impact of UNIDO technical cooperation activities by leveraging the resources from the corporate sector, development finance institutions, investment funds and other relevant external partners through partnerships around shared objectives, resources, and accountability. The scope for these partnerships straddles all three thematic priorities of UNIDO, and is hence regarded as a mechanism with a cross-cutting applicability.

83. Through its partnership-based programmes, UNIDO will not only seek to provide holistic development solutions through a combination of its own policy advisory, normative, technical cooperation, investment promotion and technology transfer services, but also to leverage the financial and technological resources and expertise of other potential partners to maximize development impact. This approach will remain at the core of its service provision in the coming years and will constitute a growing proportion of its activities as the Organization seeks to enhance the synergies between its programmes and with those of its partners. Based on the extensive experience already gained by UNIDO in the establishment and strengthening of the ISID Programme for Country Partnerships in the pilot countries of Ethiopia and Senegal, the Organization expects to achieve a substantial expansion of this programme in a larger number of countries across different regions. In this context, particular emphasis will continue to be given to a systematic engagement

with Member States and development partners though strategic dialogues that foster knowledge and experience exchanges among stakeholders on tailor-made strategies, policies and innovative business models for ISID. Building on two previous ISID forums held in 2014, this programme component will seek to further showcase UNIDO's PCP achievements and lessons learned through the organization of subsequent ISID forums in the MTPF period.

84. Strategic partnerships and alliances will also continue to be promoted with private corporations in an effort to engage them as agents for developmental change in the post-2015 era and leverage their resources for joint programmes towards ISID. Given the centrality of the private sector as a key driver of local economic growth, knowledge and technology generation, job creation, and the provision of fundamental goods and services, UNIDO will foster a continuous and expanding engagement with private sector partners.

85. South-South cooperation, including triangular cooperation, will remain a key priority for UNIDO for the MTPF period. As part of its efforts to strengthen such cooperation, UNIDO will enhance the coordination and synergies between its investment and technology promotion centres, thus bringing a large network of resources together with the requisite web-based tools for easy and cost-effective global access to information.

### B.5 Regional programmes

#### B.5.1 Africa

86. The African region has benefited from a number of favourable developments in recent years, enjoying a continued acceleration of economic growth driven by extensive and deep-reaching macroeconomic stabilization measures during the last decade. Unfortunately, however, supply-side rigidities arising from weak productive and trade capacities, poor infrastructure and weak internal demand, and the lack of a conducive business environment has inhibited the industrial and trade potential of Africa. Against this background, UNIDO will continue to give the highest priority to supporting inclusive and sustainable industrial development in Africa by contributing to building the necessary productive and trade capacities, as well as managerial capabilities, skills and competitiveness. These cooperation services will be provided to guide the development of national and regional industrial policies and strengthening regional institutions and infrastructure. In addition, issues relating to investment promotion, technology transfer, SME cluster development and the development of export consortia, quality management and compliance with international standards, and cleaner production will be addressed to enhance the supply capacities and export potential of countries in the region.

#### B.5.2 Arab region

87. Poverty reduction remains one of the primary challenges facing many countries in the Arab region and unemployment — mainly among the youth — still constitutes a major challenge to economic development. The Arab region as a whole faces significant challenges resulting, inter alia, from the effects of war and conflict. The associated political uncertainty is constraining the ability of many countries in the region to embark on a sustainable process of economic and industrial development. Many countries also face a strong need to rehabilitate their often

outdated and frequently damaged industrial infrastructure and capacities. UNIDO will therefore focus its activities in the region on the formulation of sound industrial policy strategies and programmes, including those covering the economic empowerment of women and youth, private sector entrepreneurship development, investment and technology promotion, improvement of product quality and the development of export markets, promotion of rural development and renewable energy, and the protection of the environment, water management and control of industrial waste.

### B.5.3 Asia and the Pacific

88. The Asia and the Pacific region comprises a diverse group of countries at varying levels of development and facing diverse challenges. Despite the considerable progress achieved in recent years in reducing poverty in this region, it remains home to more than 733 million poor people. Although they vary in scope and intensity from country to country, and from subregion to subregion, the region is facing a number of developmental challenges, ranging from income disparities, weak institutional capacities, and lack of employment opportunities for its growing and youthful population to natural disasters and rising sea levels. The diversity of the Asian and Pacific region will necessitate the adoption of a differentiated approach by UNIDO with regard to the support services it offers to the countries of the region. In overall terms, institutional support, SME cluster development, rural and women's entrepreneurship development, food-safety infrastructure, skills development and capacity-building in the use of new technologies, and support to traditional agro-industries for enhancement of productivity will constitute major programmatic areas of UNIDO's focus in the region. UNIDO will also continue to promote industrial South-South cooperation within Asia and between Asia and other regions in areas such as investment promotion, technology transfer, transfer of knowledge and know-how, and sharing of development experiences.

### B.5.4 Europe and Central Asia

89. The Europe and Central Asia region covers 29 countries of great diversity, many of which have experienced conflicts in recent years. This seriously constrains the ability of the countries of the region to realize their full development potential, particularly in the Caucasus, Central Asia and the Western Balkans. Economic and industrial diversification is a growing and pressing need for countries in the region. Their efforts to enter into Western European and other world markets for industrial goods are stymied by their inability to comply with the various trade, energy, environmental and social standards prevailing in these markets. The industrial technologies employed in these countries are also often outdated and environmentally unsafe, leading to high levels of toxic emissions and pollution. During the MTPF period, UNIDO will continue to place great emphasis on capacity-building in several interconnected areas such as policy measures for economic and industrial diversification, SME and entrepreneurship development, technology and trade facilitation, energy efficiency and cleaner production, which reflects the strong demand for these programme areas in the countries in the region.

### B.5.5 Latin America and the Caribbean (LAC)

90. After a decade of relatively strong growth, the economic prospects of the Latin America and the Caribbean region are becoming more complex in response to recent declines in trade, reductions in commodity prices and the increasing uncertainty surrounding external monetary and financing conditions, thus highlighting structural challenges facing the region. To confront these challenges, LAC countries need to pursue a greater degree of diversification, supported by policies promoting innovation and strengthening productive linkages. This requires putting in place measures to boost productivity and strengthen government capacities to better respond to the needs of the "emerging middle classes", while redoubling efforts to reduce poverty and inequality. During the MTPF period, UNIDO will place particular emphasis on strengthening integration at the subregional level, with a focus on compliance with the increasingly demanding rules and regulations in external markets, the adoption of standards and new marketing strategies, the modernization of technology, and the use of more productive practices that increase the added value and competitiveness of the manufacturing industries in the countries of the LAC region. To achieve this objective, UNIDO will focus in particular on the promotion of SME clusters and export consortia, the development of agro-based value chains, the quality and compliance infrastructure, cleaner production and resource-efficiency, as well as support for industrial policy formulation.

## C. Integrated results and performance framework (IRPF)

### C.1 About the IRPF

91. The purpose of UNIDO's newly developed integrated results and performance framework (IRPF) is to provide clarity to the Organization — its Member States and staff around the world — about (a) its expected contribution to global development results, based on the Lima Declaration and the global post-2015 development agenda around the Sustainable Development Goals (SDGs), in particular SDG 9 (Annex), and (b) the measurement for corporate performance with regard to managerial transparency, efficiency and effectiveness, as requested in the Strategic Guidance Document presented by the informal working group on the future, including programmes and resources, of UNIDO. As such, it provides a corporate long-term results framework to guide the implementation of the MTPF 2016-2019 and the related programme and budgets.

92. Overall, the IRPF is designed to make UNIDO a results-oriented, transparent, efficient, and trusted partner in the post-2015 era, and delineates a two tiered approach to the monitoring and reporting of results, consisting of four levels.

***Tier 1: Development Results***, monitors progress in the achievement of inclusive and sustainable industrialization and consists of:

- *Global Development Results (Level 1)*: State of global inclusive and sustainable industrial development (ISID) of UNIDO's Member States. UNIDO uses this level of the results framework to reflect the broader industrial development context in which the Organization is operating. Improvements observed in the global development context are not directly attributable to UNIDO as these are the outcome of collective efforts by

countries and their development partners, including UNIDO. This level thus monitors the relevance of UNIDO's strategy and development progress against ISID indicators but is not intended to assess the Organization's performance.

- *Country Results with UNIDO Support (Level 2)*: This level reflects the results reported by UNIDO's beneficiary countries with the support of the Organization's programmes and projects to promote ISID. The framework foresees a set of umbrella indicators, allowing for measuring the targeted portfolio growth in specific countries and regions.

***Tier 2: Organizational Performance***, focuses on UNIDO's performance and consists of:

- *Programme Management Effectiveness (Level 3)*: This level tracks UNIDO's performance in managing its programmes and projects, in particular with regard to the quality of its programmes and projects at entry, during implementation and at completion, including project/programme-level outcomes and impacts. It also tracks the extent to which the Organization is mainstreaming its priorities on gender, partnership building, knowledge management, and other relevant cross-cutting issues.
- *Organizational Effectiveness and Modernization (Level 4)*: This level assesses the progress in important areas of UNIDO's organizational capacity to effectively manage its internal operations, including resource mobilization and management, human resource management and administrative efficiency.

93. The IRPF describes the overall results/performance expected during the implementation period of the MTPF. It will provide a longer-term planning and results monitoring horizon towards the achievement of the SDGs in 2030, establish a rolling baseline for all of UNIDO's legislative strategy documents, and facilitate the eventual alignment of UNIDO's strategic approaches and frameworks to the United Nations system-wide planning documents, including the quadrennial comprehensive policy review of United Nations operational activities for development (QCPR) of the General Assembly. As such, it is also meant to create a modern accountability and transparency framework for UNIDO that links every part of the Organization to the wider development agenda.

94. In this context it is important to note that:

(a) The proposed indicators underlying the IRPF will have to be fine-tuned at all four levels in a continuous manner; a corporate scorecard will track the indicators; the baseline will be established during the finalization of the framework in 2015;

(b) The strategic goals set for 2016-2021 will be to (i) create shared prosperity, (ii) advance economic competitiveness, and (iii) safeguard the environment (the combination of which constitutes ISID);

(c) Level 1 measures the progress of ISID in UNIDO's client countries, and shows the relevance of ISID — but is NOT intended to measure UNIDO's performance. Level 2 measures country results, and allows for logical links between

macro/meso indicators at country level and UNIDO's programme support and interventions. The relevant population for levels 1 and 2 is UNIDO client countries;

(d) Levels 3 and 4 are directly observable in UNIDO and are corporate management performance results for the Organization. The relevant population for levels 3 and 4 are UNIDO's operational entities, and indicators related to internal processes;

(e) The baseline value for all levels will be determined according to data availability, which will be less of a constraint for levels 3 and 4, which are derived from within UNIDO itself.

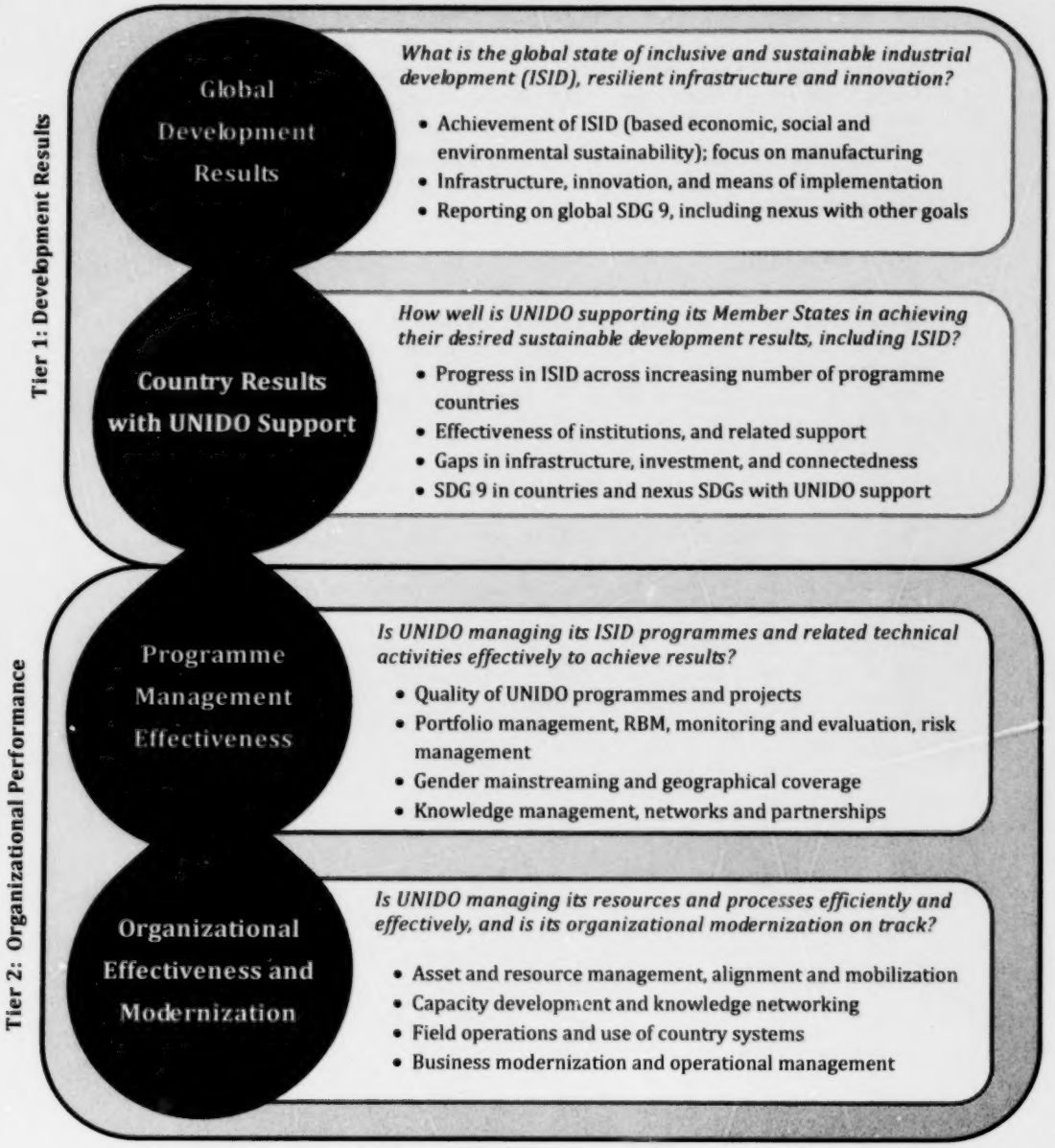
### C.2 Design of the IRPF

95. The IRPF is centred around the concept of ISID, as mandated in the Lima Declaration adopted at the fifteenth session of the UNIDO General Conference, and proposed in SDG 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". This is achieved through (i) creating shared prosperity; (ii) advancing economic competitiveness; and (iii) safeguarding the environment.

96. As ISID has a potentially positive impact on all other 16 goals, a nexus approach is proposed for the programmatic results measurement of the Organization. Results are achieved through an adequate mix of enabling functions and services, namely (i) technical cooperation; (ii) analytical and research functions and policy advisory services; (iii) normative functions and standards/compliance-related activities; and (iv) convening and partnerships for knowledge transfer, networking and industrial cooperation.

97. Based on this overall logic underpinning the development contribution of UNIDO to the global agenda, the IRPF is organized as indicated in Figure 1. Linked to each level of the framework, a set of indicators has been established to allow for measurable results-based management (RBM), and for transparent reporting to Member States.

**Figure 1: Integrated results and performance framework**


Tier 1: Development Results
Global Development Results
What is the global state of inclusive and sustainable industrial development (ISID), resilient infrastructure and innovation?
• Achievement of ISID (based economic, social and environmental sustainability); focus on manufacturing
• Infrastructure, innovation, and means of implementation
• Reporting on global SDG 9, including nexus with other goals
Country Results with UNIDO Support
How well is UNIDO supporting its Member States in achieving their desired sustainable development results, including ISID?
• Progress in ISID across increasing number of programme countries
• Effectiveness of institutions, and related support
• Gaps in infrastructure, investment, and connectedness
• SDG 9 in countries and nexus SDGs with UNIDO support
Tier 2: Organizational Performance
Programme Management Effectiveness
Is UNIDO managing its ISID programmes and related technical activities effectively to achieve results?
• Quality of UNIDO programmes and projects
• Portfolio management, RBM, monitoring and evaluation, risk management
• Gender mainstreaming and geographical coverage
• Knowledge management, networks and partnerships
Organizational Effectiveness and Modernization
Is UNIDO managing its resources and processes efficiently and effectively, and is its organizational modernization on track?
• Asset and resource management, alignment and mobilization
• Capacity development and knowledge networking
• Field operations and use of country systems
• Business modernization and operational management

**Tier 1 Proposed indicators: Development results**

| Indicators (Tier 1) | |
|---|---|
| **GLOBAL DEVELOPMENT RESULTS (Level 1)** | |
| **Industrial competitiveness and innovation capacities** | |
| Manufacturing value added (MVA) | *(current/constant US$)* |
| Stage of industrialization | *(# of countries)* |
| Competitive industrial performance index | *(scale: 0-1)* |
| Global connectedness index | *(scale: 0-1)* |
| Export market/product/MVA concentration/diversification index | *(scale: 0-1)* |
| Relative rejection rate for major exported products | *(%)* |
| **Industrial human resources and gender equality** | |
| Employment in manufacturing (manufacturing employment/total employment) | *(%)* |
| Average wage per worker (male/female) in the manufacturing sector | *(current US$)* |
| Working hours by industry and gender | *(hours)* |
| Full time, part time, local, foreign workers by industry and gender | *(# of people)* |
| **Industrial governance, institutions, and infrastructure** | |
| Government/regulatory environment for industry | *(scale: 1-5)* |
| Availability of affordable industrial finance; machinery; space; labour | *(scale: 1-5)* |
| Marketing challenges by industry | *(scale: 1-5)* |
| Availability of electricity, water, input materials, transport facilities | *(scale: 1-5)* |
| **Environmental footprint of industry** | |
| Percentage of renewable energy use by industry | *(%)* |
| Total value of materials purchased by industry | *(current US$)* |
| Energy, material and water intensity (MVA) by industry | *(current US$)* |
| | |
| **COUNTRY RESULTS WITH UNIDO SUPPORT (Level 2)**** | |
| **Industrial Statistical Capacities** | |
| Strengthened industrial statistics systems and related institutional capacities of countries | *(# of countries)* |
| **Countries with UNIDO programmes that *create shared prosperity*** | |
| Increased capacities of countries for addressing food security and other human security threats through industrial solutions | *(# of countries)* |
| Countries with enhanced participation and equal opportunities for women in political, economic and public life | *(# of countries)* |
| Countries in a post-crisis situation with increased livelihood opportunities for affected populations via restoring micro and small-scale enterprises, rehabilitation of damaged agricultural or industrial infrastructure, and employment creation | *(# of countries)* |
| **Countries with UNIDO programmes that *advance economic competitiveness*** | |
| Enhanced capacity of countries to develop and implement policies and initiatives that support ISID through entrepreneurship, creativity and innovation, and encourage the formalization and growth of enterprises | *(# of countries)* |
| Increased capacity of countries in integrating small and medium industrial and other enterprises into national and global value chains and markets | *(# of countries)* |
| Higher levels of ISID achieved in countries, including through higher levels of private sector investments | *(# of countries)* |
| **Countries with UNIDO programmes that *safeguard the environment*** | |
| Enhanced capacity of countries to implement multilateral environmental agreements (MEAs) and mainstream into national and subnational policy, planning, financial and legal frameworks | *(# of countries)* |
| Countries with enhanced capacities to manage transformational shifts towards a low-emission and resilient development path, including through low-emission technologies | *(# of countries)* |

* Data collected by the Industrial Statistics Unit (Global connectedness index collected by the Strategic Planning and Coordination Unit).

** Data collected by the Quality Monitoring Unit.

**Tier 2 Proposed indicators: Organizational performance**

| Indicators (Tier 2) | |
|---|---|
| **PROGRAMME MANAGEMENT EFFECTIVENESS (Level 3)*** | |
| **Portfolio management, results-based management (RBM), and monitoring and evaluation (M&E)** | |
| Portfolio development *(number of new projects by region)* | *(number)* |
| Programmes as part of broader country frameworks | *(%)* |
| Programmes/projects rated *successful* at completion by evaluation (in terms of relevance, effectiveness, efficiency, sustainability) against set targets | *(%)* |
| Research-policy-technical cooperation linkages in programmes | *(%)* |
| Projects with adequate risk management systems in place | *(%)* |
| Projects with adequate log-frames/KPIs and targets/baseline surveys/beneficiary feedback/monitoring and evaluation system/progress reports based on results/GIS interactive maps for activity reporting | *(%)* |
| **Partnership mobilization, gender mainstreaming, and knowledge management** | |
| Amount of partnership-based co-financing / leveraging achieved | *(EUR)* |
| Projects with cross-organizational cooperation among branches and divisions | *(%)* |
| Programmes/projects with gender-responsive analysis, action and monitoring | *(%)* |
| Publications cited in professional journals | *(%)* |
| | |
| **ORGANIZATIONAL EFFECTIVENESS AND MODERNIZATION (Level 4)**** | |
| **Governance and management** | |
| Transparency of activities and resource management | *(index)* |
| Comprehensive risk management framework | *(index)* |
| **Asset and resource management, alignment, mobilization, and stability** | |
| Collection rate of assessed contributions | *(%)* |
| Average payment delays of assessed contributions | *(days)* |
| Vacancy ratio | *(%)* |
| Funds mobilized, measured by net approvals | *(EUR)* |
| Percentage of voluntary contributions allocated to thematic fields | *(%)* |
| Implementation rate of programme and budgets | *(%)* |
| **Capacity development and knowledge management** | |
| Staff diversity *(by geography; P/G; field; seniority)* | *(index)* |
| Gender parity and equality *(at different grades)* | *(%)* |
| Staff professional development, learning, and performance | *(index)* |
| **Business modernization and operational management** | |
| Average procurement timelines | *(days)* |
| Expansion and diversification of UNIDO's vendor base | *(%)* |
| Satisfactory contract and contractor performance evaluation | *(%)* |
| Proportion of sustainable procurement transactions | *(%)* |
| Quality of enterprise resource planning (ERP) system, based on client surveys | *(index)* |

* Data collected by the Quality Monitoring Unit.

** Data collected by the Programme Support and General Management Division.

## D. Management framework

### D.1 Introduction

98. At UNIDO, sound organizational strategies must be backed by effective and efficient management that is focused on realizing ISID through the achievement of concrete results. In consultation with Member States, United Nations entities and other partners, UNIDO will continue to strengthen its performance, monitoring and reporting as called for in the Lima Declaration and the "Strategic Guidance Document". To this end, the Organization will use results-based management to support the implementation of the MTPF, buttressed by clear principles and frameworks to which UNIDO adheres. To this end, the IRPF has been established and mainstreamed throughout all strategic documents.

99. The Organization will place great emphasis on strengthening its capacity in terms of efficiency, effectiveness, accountability and transparency by revising and enhancing tools that support results-based management. In order to maximize the impact of its programmes and activities, and to help minimize overall transaction costs, it will therefore align its management and operational mechanisms with those of the broader United Nations system, in particular the QCPR, and through full participation in all system-wide coordination mechanisms.

### D.2 Results-based management

100. During the MTPF period, UNIDO will pay increasing attention to enhancing its results-based management mechanisms through the development of a robust results framework that enables the Organization to monitor, respond to and demonstrate tangible results from the provision of its services. Recognizing the importance of quality information for decision-making and programme design, the MTPF includes a strong focus on improved RBM and monitoring systems for UNIDO, in order to analyse and report on progress towards organizational performance at all levels of the Organization. As such, UNIDO staff members will align the deployment of the human and financial resources entrusted to them with the Organization's strategic results and established integrated systems for planning, managing, measuring and reporting on results.

101. Based on the newly introduced IRPF and its selected set of indicators regarding the programme management cycle and organizational effectiveness, UNIDO will target improvements of the following management dimensions: (a) portfolio management, monitoring and evaluation; (b) partnerships mobilization, gender mainstreaming and knowledge management; (c) governance and management; (d) asset and resource management, alignment, mobilization, and stability; (e) capacity development and knowledge management; and (f) business modernization and operational management.

### D.3 Partnership development

102. Being able to partner effectively and efficiently to leverage the development impact of UNIDO operations towards ISID, based on its differentiated mandate and shared commitments to common principles, will remain of highest importance in the MTPF period. Strategic partnerships with a wide range of development actors, including multilateral and bilateral organizations, the United Nations family,

international finance institutions, the private sector and civil society organizations will continue to play a central role in advancing ISID at global, regional and national level.

103. This is underlined by the recent introduction of UNIDO's innovative partnership approach to scaling up resources and investment for ISID, as the Organization seeks to capitalize on the synergies between its own programmes and those of its partners. This approach, based on the Programme for Country Partnerships, will constitute a cornerstone of UNIDO programmatic engagement, advocacy and leveraging of funds in the years to come. Advancing appropriately structured business partnerships to harness the financial and non-financial input of the private sector will remain increasingly important, especially given the expected expansion of the role of industry and business in effectively implementing the post-2015 development agenda and related SDGs. Particular emphasis will be given to initiatives that foster systematic strategic dialogues at a multi-stakeholder level, with a view to further identify policies, best practices, programmes and instruments for advancing ISID. In this context, special attention will continue to be given to the convening of periodic ISID forums as initiated during 2014.

104. In addition, strengthened collaboration will continue to be pursued with other United Nations agencies in order to provide holistic and robust development solutions to Member States both at global, regional and country level.

### D.4 Human resource management

105. Human resources and their effective management are key to organizational performance. Qualitative improvements in human resource management will continue to be sought during the MTPF period, aimed inter alia at ensuring institutional strengthening, preservation of knowledge, and balanced regional and gender representation. UNIDO's learning programmes, based on a learning policy that promotes skills upgrading and professional growth, will continue to provide staff with the knowledge required to carry out necessary programme support functions. Mandatory training with certification is already being implemented in this area, and will be developed further to reach all relevant out-posted staff. Emphasis will also continue to be placed on improving the technical and managerial competencies of staff by offering them a wide choice of training opportunities within and outside the Organization. Measures to facilitate career development will also be implemented during the MTPF period. Tangible results in attaining gender balance across all of UNIDO's programmes and projects will be of central importance to make gender equality relevant to the strategic orientation and the changing demography of the Organization. Continuous and effective communication between staff and management will also continue to be emphasized as a means of enhancing management effectiveness.

### D.5 Field operations management

106. An efficient and effective field network is essential for improving UNIDO's performance and impact towards ISID globally. Recent adjustments to the Organization's field structure and operations are part of a process that aims at fundamentally changing the way the Organization works, refocusing, as appropriate, its programmes and activities to achieve development results at country level. The field network and regional programmes ensure programmatic coherence of

UNIDO's services at the country and regional levels in the context of its thematic programme framework: towards inclusive and sustainable industrial development and effectively respond to the specific and differentiated development needs of Member States. UNIDO in the field maintains close contact with all local stakeholders including international organizations, locally based donor organizations, regional economic organizations, and private sector entities at the country and regional levels, and promotes the Organization as an effective partner for development.

107. UNIDO will further strengthen its field capacity by supporting a harmonization of the field entities, including an upgrading of UNIDO desks to fully supported country offices, while adopting the most efficient and cost-effective solutions available, including lean management approaches and increased recruitment of national heads of country offices. UNIDO offices in the field participate in, and contribute to, country-level activities towards United Nations system-wide coherence, maintain dialogue with the United Nations Resident Coordinator within the context of the United Nations Development Assistance Framework (UNDAF), strengthen engagement within the United Nations Country Team (UNCT) and the Regional Coordination Mechanism (RCM) promoting UNIDO's services and mandate including the provision of inputs to the post-2015 development agenda. To that end, functions and roles will be streamlined across the entire field network in order to achieve the optimal use of resources at country and regional levels, in line with United Nations principles, while at the same time improving national ownership and local outreach.

### D.6 Operational management

108. In keeping with the organizational management goals set by the Organization in terms of internal operational efficiencies and improved transparency, particular attention will continue to be paid to improvements of the ERP system. Special emphasis will be given in this context to enhancing the functionalities and technologies of the ERP system, including strategic planning and reporting; cloud and mobile based solutions; a contract management system; and a new platform that enables real-time processing and reporting of big data. In addition, in order to ensure continuous alignment of the implemented ERP system with future business requirements/needs, the Organization's management structure will ensure systematic oversight of the system in order to enable the Organization to continue to realize the benefits of the system.

### D.7 Financial management

109. In line with the continued pursuit of value-for-money, the Organization will continue to develop adequate strategies and active measures aimed at sharpening its financial functions in order to better support the transformational changes endorsed by its policymaking organs. Internal control of financial and accounting processes will be strengthened at Headquarters and in the field, accelerated by an increased integration of accounting, reporting and operations mechanisms.

110. During the MTPF period, UNIDO will further stress the need to identify and optimize under-utilized resources and pursue innovative and diversified sources of financing, while continuously seeking to secure additional efficiency gains. Furthermore, it will intensify its advocacy activities for continued or increased

contributions from traditional and emerging multilateral and bilateral sources, including various multilateral environmental agreements.

## E. Budgetary framework

111. The implementation of the MTPF, 2016-2019 will only be possible if sufficient resources will be available under the regular and the operational budgets, and through voluntary contributions.

112. For the first biennium of the planning period, 2016-2017, the Director General's budget proposal is built around a net regular budget of €142.2 million (PBC.31/6- IDB.31/6). Activities from extra-budgetary funds were estimated at the level of €329.8 million as direct input for technical cooperation services and €33.8 million as technical cooperation support activities.

113. The reinforced mandate of the Organization and the implementation of the thematic framework included in the present document call for a stable financial basis and additional resources over the currently proposed budgetary levels. While there is an expectation of a continued healthy growth in voluntary contributions, Member States may wish to contemplate a moderate growth also under the regular budget for the second biennium of the planning period, i.e., for 2018-2019, so as to enable UNIDO to meet the growth in the demand for its services expected to arise in the context of the post-2015 development agenda.

## F. Action required of the Committee

114. The Committee may wish to take note of the information provided in the present document.

# Annex

## Sustainable Development Goal 9 and associated targets, as proposed by the Open Working Group of the United Nations General Assembly in its report (A/68/970 of 12 August 2014)

Goal 9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Targets

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and increasing the number of research and development workers per 1 million people by [x] per cent and public and private research and development spending

9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and Small Island developing States

9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020